

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-97266; File No. SR-BOX-2023-10)

April 7, 2023

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule on the BOX Options Market LLC Facility to establish a new Qualified Contingent Cross (“QCC”) Growth Rebate

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 31, 2023, BOX Exchange LLC (“Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A)(ii) of the Act,³ and Rule 19b-4(f)(2) thereunder,⁴ which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the Fee Schedule to establish a new Qualified Contingent Cross (“QCC”) Growth Rebate on the BOX Options Market LLC (“BOX”) options facility. While changes to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on April 3, 2023. The text of the proposed rule change is available from

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

the principal office of the Exchange, at the Commission's Public Reference Room and also on the Exchange's Internet website at <https://rules.boxexchange.com/rulefilings>.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend the Fee Schedule for trading on BOX to establish a new Qualified Contingent Cross ("QCC") Growth Rebate.

Currently, BOX assesses \$0.20 per contract to Broker Dealers and Market Makers for both the Agency Order and contra order of a QCC transaction. Public Customers and Professional Customers are not assessed a QCC Transaction Fee. Further, rebates are paid on all qualifying orders pursuant to Section IV.D.1 of the BOX Fee Schedule. Specifically, a QCC Rebate is paid to the Participant that entered the order into the BOX system when at least one party to the QCC transaction is a Broker Dealer or Market Maker. The Participant receives a per contract rebate on QCC transactions according to the tier achieved. Volume thresholds will be calculated on a monthly basis by totaling the Participant's QCC Agency Order volume on BOX. The Exchange notes that the QCC Rebate is intended to incentivize the sending of more QCC Orders to BOX.

The QCC Rebate tier structure is as follows:

Tier	QCC Agency Order Volume on BOX (per month)	Rebate 1 (per contract)	Rebate 2 (per contract)
1	0 to 1,499,999 contracts	(\$0.14)	(\$0.22)
2	1,500,000 to 2,499,999 contracts	(\$0.16)	(\$0.24)
3	2,500,000 to 3,499,999 contracts	(\$0.16)	(\$0.25)
4	3,500,000+ contracts	(\$0.17)	(\$0.27)

The Exchange now proposes to establish Section IV.D.1.b., QCC Growth Rebate.⁵

Specifically, the Exchange proposes that if a Participant’s QCC Agency Order volume on BOX achieves Tier 3 of the QCC Rebate in the month AND the Participant’s total QCC volume combined with total QOO volume exceeds 11 million contracts per month, then the Participant will qualify for the rebates in Tier 4 of the QCC Rebate (“QCC Growth Rebate qualifications”). Strategy QOO Orders and Strategy QCC Orders will not be counted toward the QCC Growth rebate volume. Further, the Exchange proposes that Participants are entitled to one QCC Rebate in a given month, which would be the greater of the QCC Rebate in Section (a) or the QCC Growth Rebate detailed in Section (b), but not both.

The Exchange notes that the proposed change is a competitive response as a similar QCC Growth Rebate currently exists at another options exchange.⁶ Further, the Exchange believes that the proposal will encourage Participants to send increased QCC and QOO order flow to BOX in order to achieve a higher rebate.

⁵ Additionally, the Exchange proposes to retitle the current QCC Rebate as Section IV.D.1.a.

⁶ See Nasdaq Phlx LLC (“Phlx”) Pricing Schedule and Securities Exchange Act Release No. 96990 (February 27, 2023), 88 FR 13477 (March 3, 2023)(SR-PHLX-2023-06).

Lastly, the Exchange is proposing to amend Section IV.D.2 to make changes that reflect the addition of Section IV.D.1.a. and Section IV.D.1.b. to the BOX Fee Schedule.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act, in general, and Section 6(b)(4) and 6(b)(5) of the Act,⁷ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among BOX Participants and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers.

The Exchange's proposal to establish a new QCC Growth Rebate is reasonable because this rebate will provide additional incentives for BOX Participants to engage in substantial amounts of trading activity which would serve to bring additional open outcry liquidity to the Trading Floor and additional QCC order flow to BOX. This incentive may also encourage Participants to begin sending such order flow to BOX for the opportunity to earn this rebate.

As discussed above, the Exchange notes that a similar QCC Growth Rebate currently exists at another exchange. At Phlx, in order to qualify for the QCC Growth Tier Rebate, a member's or member organization's total floor transaction, and electronic QCC Orders and Floor QCC Orders volume must exceed 12,500,000 contracts in a given month. In addition to the aforementioned criteria, the member's or member organization's respective Phlx House Account must execute QCC transaction volume of 250,000 or more contracts in excess of the member's or member organization's QCC transaction volume in January 2023. For members or member organizations with no QCC transaction volume in January 2023, the QCC transaction volume, in their respective Phlx House Account, must be 250,000 or more contracts

⁷ 15 U.S.C. 78f(b)(4) and (5).

in a given month. Additionally, Phlx offers an alternative to qualify for the QCC Growth Tier Rebate. Specifically, if a member's or member organization's Open Outcry Floor Transaction volume in a given month exceeds 500,000 contracts and a member's or member organization's respective Phlx House Account executes QCC transaction volume of 2,500,000 or more contracts in excess of the member's or member organization's QCC transaction volume in January 2023, the member or member organization will qualify for the QCC Growth Tier Rebate. BOX is proposing a similar structure in that a BOX Participant will qualify for the QCC Growth Rebate if the Participant achieves Tier 3 of the current QCC Rebate structure (QCC Agency Order volume on BOX is 2,500,000 to 3,499,999 contracts in a given month) AND the Participant's QCC and QOO volume exceeds 11 million contracts in the given month. The Exchange believes that the proposed QCC Growth Rebate qualifications are reasonable because they offer Participants an additional opportunity to achieve a higher QCC rebate. Additionally, the Exchange's proposal to establish a new QCC Growth Rebate is equitable and not unfairly discriminatory because any Participant may qualify for this rebate.⁸ All BOX Participants may enter order flow to obtain a QCC Growth Rebate.

The Exchange believes the proposal will create an incentive for Participants to bring liquidity to BOX – both electronically and on the Trading Floor. The Exchange believes that if the proposed incentive is effective, then an ensuing increase in trading activity on BOX will improve the quality of the market overall to the benefit of all market participants. Further, to the extent this proposal attracts new Participant volume to BOX, all market participants should benefit through increased liquidity and more trading opportunities. The Exchange believes this

⁸ The Exchange notes that all BOX Participants may transact an options business electronically or on the BOX Trading Floor with a registered Trading Permit. BOX Participants may transact business on the Trading Floor through a Floor Broker.

proposal is designed to increase participation on BOX and reward those Participants for the unique role they play in ensuring a robust market.

The Exchange believes that combining a Participant's total QCC and QOO volume to count toward the QCC Growth Rebate is not a novel idea. On NYSE American LLC ("NYSE American"), Floor Brokers qualify for rebates by achieving billable manual volume of combined manual transactions and QCC transactions.⁹ Similarly, the Exchange proposes to combine a Participant's QOO and QCC volume in order to qualify for the proposed QCC Growth Rebate. As discussed herein, the Exchange believes this structure will incentivize Participants to direct order flow to BOX – both electronically and on the BOX Trading Floor – in order to take advantage of the proposed rebate, thus resulting in increased liquidity and trading opportunities to the benefit of all market participants.

The Exchange's exclusion of QCC and QOO strategy transactions is reasonable as Strategy QCC transactions are not currently assessed a fee and Strategy QOO transactions are subject to the fee cap and rebates detailed in Section V.D of the BOX Fee Schedule. The Exchange also notes that another exchange excludes strategy transactions from their respective QCC Growth Rebate.¹⁰ Further, the exclusion of strategy transactions from the QCC Growth Rebate is equitable and not unfairly discriminatory as this exclusion will be uniformly applied to all Participant types.

⁹ See NYSE American Fee Schedule. The Exchange notes that while the concept of combining electronic and floor volume is not novel, the details of NYSE American's Floor Broker rebate program differ from what BOX is proposing herein. Specifically, the volume qualifications and the per contract rebates on NYSE American are different from BOX's proposal.

¹⁰ See Phlx Pricing Schedule.

The Exchange believes this proposal to pay Participants the greater of the QCC Rebate in proposed Section IV.D.1.a or the QCC Growth Rebate in proposed Section IV.D.1.b in a given month, but not both QCC Rebates, is reasonable, equitable, and not unfairly discriminatory because BOX is simply offering another way for Participants to qualify for rebates that already exist today and BOX would uniformly only pay the greater of the two QCC Rebates.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

The proposal does not impose an undue burden on inter-market competition. The Exchange believes its proposal remains competitive with other options markets and will offer market participants with another choice of where to transact its business. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees and rebates to remain competitive with other exchanges. Because competitors are free to modify their own fees and rebates in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

The proposed changes do not impose an undue burden on intra-market competition. In terms of intra-market competition, the Exchange does not believe that its proposals will place any category of market participant at a competitive disadvantage. The Exchange believes that the proposed QCC Growth Rebate will encourage market participants to send a greater amount of

QCC orders and QOO Orders to BOX for execution in order to obtain greater rebates and lower their costs. Further, the proposed QCC Growth Rebate should incentivize a greater amount of floor transactions on BOX, thereby allowing BOX to compete more effectively with other options floor models. The Exchange again notes that any market participant may send an order to a BOX Floor Broker for execution on BOX's Trading Floor. The Exchange believes that the additional liquidity will enhance the quality of BOX's market and increase certain trading opportunities on BOX's Trading Floor.

The Exchange's proposal to establish the QCC Growth Rebate does not impose an undue burden on competition, rather is it pro-competitive in that would serve to increase liquidity on BOX, thus rendering BOX a more attractive and vibrant venue to market participants. The QCC Growth Rebate Qualifications do not impose an undue burden on competition because, as discussed above, all Participants may qualify for the QCC Growth Rebate. Further, the QCC Growth Rebate Qualifications do not impose an undue burden on competition because the proposal is designed to increase participation on BOX and reward those Participants for providing increased order flow to BOX to the benefit of all market participants.

The Exchange's exclusion of strategy transactions does not impose an undue burden on competition as the exclusion will be uniformly applied to all Participant types. Lastly, the Exchange's proposal to pay Participants the greater of the QCC Rebate in Section IV.D.1.a or the QCC Growth Rebate in Section IV.D.1.b in a given month, but not both QCC Rebates, does not impose an undue burden on competition because BOX is simply offering another way for Participants to qualify for rebates that already exist today and BOX would uniformly only pay the greater of the two QCC Rebates.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Exchange Act¹¹ and Rule 19b-4(f)(2) thereunder,¹² because it establishes or changes a due, or fee.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend the rule change if it appears to the Commission that the action is necessary or appropriate in the public interest, for the protection of investors, or would otherwise further the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BOX-2023-10 on the subject line.

Paper comments:

¹¹ 15 U.S.C. 78s(b)(3)(A)(ii).

¹² 17 CFR 240.19b-4(f)(2).

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BOX-2023-10. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to

make available publicly. All submissions should refer to File Number SR-BOX-2023-10, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹³

Sherry R. Haywood

Assistant Secretary

¹³ 17 CFR 200.30-3(a)(12).